



House of Representatives

General Assembly

File No. 347

February Session, 2002

Substitute House Bill No. 5428

House of Representatives, April 5, 2002

The Committee on Judiciary reported through REP. LAWLOR of the 99th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING ELECTRIC RESTRUCTURING.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivisions (26) and (27) of subsection (a) of section 16-1
2 of the general statutes, as amended by section 7 of public act 01-204,
3 are repealed and the following is substituted in lieu thereof (*Effective*
4 *July 1, 2002*):

5 (26) "Class I renewable energy source" means (A) energy derived
6 from solar power, wind power, a fuel cell, methane gas from landfills,
7 [or] ocean thermal power, wave or tidal power, low emission
8 advanced renewable energy conversion technologies, a biomass
9 facility, including, but not limited to, a biomass gasification plant that
10 utilizes land clearing debris, tree stumps or other biomass that
11 regenerates or the use of which will not result in a depletion of
12 resources, provided such facility begins operating on or after July 1,
13 1998, except that the production of electricity from a sustainable
14 biomass facility that exceeds such facility's three-year average

15 production of electricity for the period of 1995 to 1997, inclusive, may
16 be considered a Class I renewable energy source, and provided such
17 biomass is cultivated and harvested in a sustainable manner, or (B) low
18 emission distributed generation;

19 (27) "Class II renewable energy source" means energy derived from
20 a trash-to-energy facility, or a biomass facility that does not meet the
21 criteria for a class I renewable energy source or a hydropower facility,
22 provided such facility has a license issued by the Federal Energy
23 Regulatory Commission, has been exempted from such licensure, is
24 the subject of a license application or notice of intent to seek a license
25 from said commission, has been found by the Commissioner of
26 Environmental Protection to be operating in compliance with the
27 federal Clean Water Act, or has been found by the [Canadian
28 environmental assessment agency] appropriate Canadian or provincial
29 regime to be operating in compliance with said [agency's] regime's
30 resource objectives.

31 Sec. 2. Subsection (a) of section 16-1 of the general statutes, as
32 amended by section 1 of public act 01-49 and section 7 of public act 01-
33 204, is amended by adding subdivision (40) as follows (*Effective July 1,*
34 *2002*):

35 (NEW) (40) "Distributed generation" means the generation of
36 electricity on the premises of an end user within the transmission and
37 distribution system including fuel cells, microturbines, photovoltaic
38 systems or small wind turbines.

39 Sec. 3. Section 16-243h of the general statutes is repealed and the
40 following is substituted in lieu thereof (*Effective July 1, 2002*):

41 On and after January 1, 2000, each electric supplier, as defined in
42 section 16-1, as amended by this act, and any electric distribution
43 company providing, pursuant to section 16-244c, as amended by this
44 act, standard offer, default or back-up services, shall give a credit for
45 any electricity generated by a residential customer from a Class I
46 renewable energy source or a hydropower facility as described in

47 subdivision (27) of subsection (a) of section 16-1, as amended by this
48 act. The electric distribution company providing electric distribution
49 services to such a customer shall make such interconnections necessary
50 to accomplish such purpose. An electric distribution company, at the
51 request of any residential customer served by such company and if
52 necessary to implement the provisions of this section, shall provide for
53 the installation of metering equipment that (1) measures electricity
54 consumed by such customer from the facilities of the electric
55 distribution company, (2) deducts from the measurement the amount
56 of electricity produced by the customer and not consumed by the
57 customer, and (3) registers, for each billing period, the net amount of
58 electricity either [(i)] (A) consumed and produced by the customer, or
59 [(ii)] (B) the net amount of electricity produced by the customer. A
60 residential customer who generates electricity from a generating unit
61 with a name plate capacity of more than ten kilowatts of electricity
62 pursuant to the provisions of this section shall be assessed for the
63 competitive transition assessment, pursuant to section 16-245g and the
64 systems benefits charge, pursuant to section 16-245l based on the
65 amount of electricity consumed by the customer from the facilities of
66 the electric distribution company without netting any electricity
67 produced by the customer. For purposes of this section, "residential
68 customer" means a customer of a single-family dwelling or
69 multifamily dwelling consisting of two to four units.

70 Sec. 4. Section 16-244c of the general statutes is repealed and the
71 following is substituted in lieu thereof (*Effective July 1, 2002*):

72 (a) (1) On and after January 1, 2000, each electric distribution
73 company, as defined in section 16-1, as amended by this act, shall
74 make available to all customers in its service area, the provision of
75 electric generation and distribution services through a standard offer.
76 Under the standard offer, a customer shall receive electric services at a
77 rate established by the Department of Public Utility Control pursuant
78 to subdivision (2) of this subsection. Each electric distribution
79 company shall provide electric generation services in accordance with
80 such option to any customer who affirmatively chooses to receive

81 electric generation services pursuant to the standard offer or does not
82 or is unable to arrange for or maintain electric generation services with
83 an electric supplier, as defined in said section 16-1. The standard offer
84 shall automatically terminate on January 1, 2004, unless extended by
85 the General Assembly pursuant to section 74 of public act 98-28*.
86 While providing electric generation services under the standard offer,
87 an electric distribution company may provide electric generation
88 services through any of its generation entities or affiliates, provided
89 such entities or affiliates are licensed pursuant to section 16-245, as
90 amended by this act.

91 (2) Not later than October 1, 1999, the Department of Public Utility
92 Control shall establish the standard offer for each electric distribution
93 company, effective January 1, 2000, which shall allocate the costs of
94 such company among electric transmission and distribution services,
95 electric generation services, the competitive transition assessment and
96 the systems benefits charge. The department shall hold a hearing that
97 shall be conducted as a contested case in accordance with chapter 54 to
98 establish the standard offer. The standard offer shall provide that the
99 total rate charged under the standard offer, including electric
100 transmission and distribution services, the conservation and load
101 management program charge described in section 16-245m, as
102 amended by this act, the renewable energy investment charge
103 described in section 16-245n, electric generation services, the
104 competitive transition assessment and the systems benefits charge
105 shall be at least ten per cent less than the base rates, as defined in
106 section 16-244a, in effect on December 31, 1996. The standard offer
107 shall be adjusted to the extent of any increase or decrease in state taxes
108 attributable to sections 12-264 and 12-265 and any other increase or
109 decrease in state or federal taxes resulting from a change in state or
110 federal law and shall continue to be adjusted during such period
111 pursuant to section 16-19b. Notwithstanding the provisions of section
112 16-19b, the provisions of said section 16-19b shall apply to electric
113 distribution companies. The standard offer may be adjusted, by an
114 increase or decrease, to the extent approved by the department, in the
115 event that (A) the revenue requirements of the company are affected as

116 the result of changes in legislative enactments other than public act 98-
117 28**, administrative requirements or accounting standards occurring
118 after July 1, 1998, provided such accounting standards are adopted by
119 entities independent of the company that have authority to issue such
120 standards, or (B) an electric distribution company incurs extraordinary
121 and unanticipated expenses required for the provision of safe and
122 reliable electric service to the extent necessary to provide such service.
123 Savings attributable to a reduction in taxes shall not be shifted between
124 customer classes.

125 (3) The price reduction provided in subdivision (2) of this
126 subsection shall not apply to customers who, on or after July 1, 1998,
127 are purchasing electric services from an electric company or electric
128 distribution company, as the case may be, under a special contract or
129 flexible rate tariff, and the company's filed standard offer tariffs shall
130 reflect that such customers shall not receive the standard offer price
131 reduction.

132 [(b) On and after January 1, 2004, each electric distribution company
133 shall serve any customer who does not or is unable to arrange for or
134 maintain electric generation services with an electric supplier. The
135 electric distribution company shall procure electric generation services
136 for such customers through a competitive bidding process. An electric
137 distribution company may procure electric generation services through
138 any of its generation entities or affiliates, provided such entity or
139 affiliate is the lowest qualified bidder and provided further any such
140 entity or affiliate is licensed pursuant to section 16-245.]

141 (b) (1) On and after January 1, 2004, each electric distribution
142 company shall provide electric generation services for a residential
143 customer who is eligible for hardship protection pursuant to
144 subdivision (3) of subsection (b) of section 16-262c or is a member of a
145 vulnerable population, as determined by the department. Upon a
146 finding that it is in the best interest of such customers, not later than
147 October 1, 2003, and periodically as required by subdivision (4) of this
148 subsection, but not more often than every calendar quarter, the

149 department shall establish a default service price for such customers
150 which shall be at market cost of generation services procured,
151 pursuant to subdivision (4) of this subsection plus administrative costs
152 incurred by the electric distribution company.

153 (2) On and after January 1, 2004, each electric distribution company
154 shall provide electric generation services for any residential customer
155 who does not arrange for electric generation services with an electric
156 supplier and is not eligible for service pursuant to subdivision (1) of
157 this subsection. Not later than October 1, 2003, and periodically as
158 required by subdivision (4) of this subsection, but not more often than
159 every calendar quarter, the Department of Public Utility Control shall
160 establish the default service price for such customers which shall
161 consist of (A) the market cost for generation services as established
162 pursuant to subdivision (4) of this subsection, (B) administrative costs
163 incurred by the distribution company, and (C) a procurement fee. Not
164 later than July 1, 2003, the Department of Public Utility Control shall
165 hold a hearing that shall be conducted as a contested case in
166 accordance with chapter 54 to establish the procurement fee to be
167 charged under such service which shall not be more than eight-tenths
168 of a cent per kilowatt hour. For purposes of this section, a "residential
169 customer" includes any customer who does not use a demand meter or
170 who has a maximum demand of less than three hundred fifty
171 kilowatts.

172 (3) There is established an account to be known as the "competition
173 development account", within the Consumer Counsel and Public
174 Utility Control Fund established pursuant to section 16-48a, which
175 shall be a separate, nonlapsing account. There shall be deposited in the
176 account the proceeds from the procurement fee collected pursuant to
177 subdivision (2) of this subsection. Investment earnings credited to the
178 assets of the account shall become part of the assets of the account.
179 Any balance remaining in the account at the end of any fiscal year shall
180 be carried forward in the account for the fiscal year next succeeding.
181 Payments from the account shall be made upon authorization by the
182 Department of Public Utility Control for the payment of stranded costs

183 calculated pursuant to section 16-245e and for the funding of the credit
184 program created pursuant to section 16-244d, as amended by this act.
185 The department shall annually hold a hearing that shall be conducted
186 as a contested case pursuant to chapter 54 to determine the amount of
187 allocation, with not less than one-half of the proceeds to be allocated to
188 the payment of stranded costs for the fiscal year ending June 30, 2004,
189 and not less than two-thirds of the proceeds to be allocated to the
190 payment of stranded costs for the fiscal year ending June 30, 2005.

191 (4) An electric distribution company providing generation services
192 pursuant to subdivisions (1) and (2) of this subsection shall mitigate
193 the variation of the price of the service offered to its customers by
194 procuring generation service contracts in the manner prescribed in a
195 plan approved by the Department of Public Utility Control. Not later
196 than April 1, 2003, each electric distribution company shall submit
197 such plan to the department. Such plan shall require that a portfolio of
198 service contracts sufficient to meet the projected load shall be effective
199 for the period commencing on January 1, 2004. In addition, such plan
200 shall require that the portfolio of contracts be procured in an
201 overlapping pattern of fixed periods at such times and in such manner
202 and duration as the department determines to be most likely to
203 produce just, reasonable and reasonably stable rates while reflecting
204 underlying market prices over time. The electric distribution company
205 shall assemble the portfolio of contracts in such manner as to avoid
206 unusual, anomalous or excessive pricing. The portfolio of contracts
207 procured under such plan shall be for terms of not less than six
208 months, provided contracts for shorter periods may be procured under
209 such conditions as the department shall prescribe to ensure reliable
210 service under extraordinary circumstances or as necessary for the
211 prudent management of the contract portfolio.

212 (5) An electric distribution company shall serve customers that may
213 not receive default service pursuant to subdivisions (1) and (2) of this
214 subsection as the supplier of last resort. An electric distribution
215 company shall provide electric generation services to such customers
216 at a rate approved by the Department of Public Utility Control that is

217 consistent with spot market prices as determined by the regional
218 independent system operator.

219 (6) The Department of Public Utility Control and the Office of
220 Consumer Counsel shall, within available resources, biennially
221 conduct a study on default services provided pursuant to this
222 subsection. Such study shall include, but not be limited to, an analysis
223 of (A) the population of residential customers remaining on default
224 service, (B) the effectiveness of the procurement fee in encouraging
225 residential customers to contract with an electric supplier, (C) the
226 pricing for each type of default service, and (D) such other issues as the
227 department and the Office of Consumer Counsel determine are
228 appropriate. Not later than January 1, 2005, and biennially thereafter,
229 the department shall submit a report on its findings and
230 recommendations to the joint standing committee of the General
231 Assembly having cognizance of matters relating to energy, in
232 accordance with the provisions of section 11-4a.

233 (c) On and after January 1, 2000, and until such time the regional
234 independent system operator implements procedures for the provision
235 of back-up power to the satisfaction of the Department of Public Utility
236 Control, each electric distribution company shall provide electric
237 generation services to any customer who has entered into a service
238 contract with an electric supplier that fails to provide electric
239 generation services for reasons other than the customer's failure to pay
240 for such services. Between January 1, 2000, and December 31, 2003, an
241 electric distribution company may procure electric generation services
242 through a competitive bidding process or through any of its generation
243 entities or affiliates. On and after January 1, 2004, such company shall
244 procure electric generation services through a competitive bidding
245 process. Such company may procure electric generation services
246 through any of its generation entities or affiliates, provided such entity
247 or affiliate is the lowest qualified bidder and provided further any
248 such entity or affiliate is licensed pursuant to section 16-245, as
249 amended by this act.

250 (d) An electric distribution company is not required to be licensed
251 pursuant to section 16-245, as amended by this act, to provide
252 [standard offer electric generation] services in accordance with
253 [subsection (a) of this section or back-up electric generation services
254 prior to January 1, 2004, in accordance with subsection (c) of] this
255 section.

256 (e) The electric distribution company shall be entitled to recover
257 reasonable costs incurred as a result of providing standard offer
258 electric generation services pursuant to the provisions of subsection (a)
259 of this section, the default service pursuant to subsection (b) of this
260 section or the back-up electric generation services pursuant to
261 subsection (c) of this section. The provisions of this section and section
262 16-244a shall satisfy the requirements of section 16-19a until January 1,
263 2004.

264 (f) The Department of Public Utility Control shall establish, by
265 regulations adopted pursuant to chapter 54, [standards or procedures
266 for an electric distribution company's procuring power and
267 competitive bidding for purposes of subsections (b) and (c) of this
268 section in a commercially reasonable manner and] procedures for
269 when and how a customer is notified that his electric supplier has
270 defaulted and of the need for the customer to choose a new electric
271 supplier within a reasonable period of time.

272 (g) An electric distribution company providing default service in
273 accordance with subsection (b) of this section or back-up electric
274 generation services in accordance with subsection (c) of this section
275 shall comply with the portfolio standards pursuant to section 16-245a,
276 as amended by this act. Any such electric distribution company that
277 fails to comply with the portfolio standards shall be subject to civil
278 penalties by the Department of Public Utility Control in accordance
279 with section 16-41 or shall be required to make a payment to the
280 department to be allocated to the Renewable Energy Investment Fund
281 and to other uses the department determines to be in the best interest
282 of rate payers, including, but not limited to, the Energy Conservation

283 and Load Management Fund or the payment of stranded costs. The
284 department shall annually set a range of the amount of such payment
285 on a cent per kilowatt hour basis following a hearing that is conducted
286 as a contested case in accordance with chapter 54.

287 Sec. 5. Section 16-244d of the general statutes is amended by adding
288 subsections (f) to (h), inclusive, as follows (*Effective July 1, 2002*):

289 (NEW) (f) The Department of Public Utility Control, in consultation
290 with the Office of Consumer Counsel, shall establish a program for the
291 dissemination of information regarding electric suppliers. Such
292 program shall require electric distribution companies to distribute an
293 informational summary on electric suppliers to any new customer and
294 to existing customers beginning on January 1, 2003, and biannually
295 thereafter. Such informational summary shall be developed by the
296 department and shall include, but not be limited to, the name of each
297 licensed electric supplier, the state where the supplier is based,
298 information on whether the supplier has active offerings for either
299 residential or commercial and industrial consumers, the telephone
300 number and Internet address of the supplier, and an identification of
301 whether the supplier offers electric generation services from renewable
302 energy sources in excess of the portfolio standards pursuant to section
303 16-245a, as amended by this act. The department shall include pricing
304 information in the informational summary to the extent the
305 department determines feasible. The department shall post the
306 informational summary in a conspicuous place on its website and
307 provide electronic links to the website of each supplier. The
308 department shall update the informational summary on its website on
309 at least a quarterly basis.

310 (NEW) (g) The Department of Public Utility Control shall, no later
311 than October 1, 2002, develop a plan for the restart of the education
312 outreach program on or before October 1, 2003, and submit such plan
313 to the joint standing committee of the General Assembly having
314 cognizance of matters relating to energy and technology, in accordance
315 with the provisions of section 11-4a.

316 (NEW) (h) Not later than January 1, 2003, the Department of Public
317 Utility Control shall adopt regulations, in accordance with chapter 54,
318 to establish a customer credit program for residential customers
319 receiving default service pursuant to section 16-244c, as amended by
320 this act. Such program shall require an electric distribution company to
321 give a credit, as determined by the department, to a residential
322 customer who chooses an electric supplier and maintains service with
323 such supplier for not less than one year. Nothing in this subsection
324 shall be construed to prohibit an electric supplier from assessing a
325 customer an early termination fee. Such credit program shall terminate
326 on December 31, 2006.

327 Sec. 6. Section 16-245 of the general statutes is repealed and the
328 following is substituted in lieu thereof (*Effective October 1, 2002*):

329 (a) No person shall execute any contract relating to the sale of
330 electric generation services to be rendered after January 1, 2000, to end
331 use customers located in the state unless such person has been issued a
332 license by the department in accordance with the provisions of this
333 section. No license shall be valid before July 1, 1999.

334 (b) On and after January 1, 2000, no person, no municipality and no
335 regional water authority shall sell or attempt to sell electric generation
336 services to end use customers located in the state using the
337 transmission or distribution facilities of an electric distribution
338 company, as defined in section 16-1, as amended by this act, and no
339 municipality, no regional water authority and the Connecticut
340 Resources Recovery Authority except as provided in section 16-245b
341 and no person shall aggregate, broker or market the sale of electric
342 generation services to end use customers using the transmission or
343 distribution facilities of an electric distribution company unless the
344 person has been issued a license by the Department of Public Utility
345 Control in accordance with the provisions of this section, provided an
346 electric distribution company is not required to be licensed pursuant to
347 this section to provide electric generation services pursuant to
348 subsection (a) of this section or, prior to January 1, 2004, subsection (c)

349 of section 16-244c, as amended by this act. Not later than January 1,
350 1999, the department shall, by regulations adopted pursuant to chapter
351 54, develop licensing procedures. The licensing process shall begin not
352 later than April 1, 1999.

353 (c) To ensure the safety and reliability of the supply of electricity in
354 this state, the Department of Public Utility Control shall not issue a
355 license unless the person can demonstrate to the satisfaction of the
356 department that [:(1) The] the person has the technical, managerial
357 and financial capability to provide electric generation services and
358 provides and maintains a bond or other security in amount and form
359 approved by the department, to ensure its financial responsibility and
360 its supply of electricity to end use customers in accordance with
361 contracts, agreements or arrangements. [:(2) the person or the entity or
362 entities with whom the person has a contractual relationship to
363 purchase power is in compliance with all applicable licensing
364 requirements of the Federal Energy Regulatory Commission; (3) the
365 person is registered with or certified by the regional independent
366 systems operator or has a contractual relationship with one or more
367 entities who are registered with or certified by the regional
368 independent systems operator and is in compliance with all system
369 rules and standards established by the regional independent systems
370 operator; (4) the person owns or purchases such capacity and reserves
371 as may be required by the regional independent system operator, to
372 provide adequate electricity to all the person's customers; (5) the
373 person's generation facilities located in North America are in
374 compliance with regulations adopted by the Commissioner of
375 Environmental Protection pursuant to section 22a-174j; and (6) for any
376 generation facility within this state, the facility is in compliance with
377 chapter 277a and state environmental laws and regulations.] A license
378 shall be subject to periodic review on a schedule to be established by
379 the department.

380 (d) An application for a license shall be filed with the Department of
381 Public Utility Control, accompanied by a fee pursuant to subsection (e)
382 of this section. The application shall contain such information as the

383 department may deem relevant, including, but not limited to, the
384 following: (1) The address of the applicant's headquarters and the
385 articles of incorporation, as filed with the state in which the applicant
386 is incorporated; (2) the address of the applicant's principal office in the
387 state, [and] if any, or the address of the applicant's agent for service in
388 the state; (3) the toll-free telephone number for customer service; (4)
389 information about the applicant's corporate structure, including names
390 and financial statements, as appropriate, concerning corporate
391 affiliates; (5) a disclosure of whether the applicant or any of the
392 [applicant is] applicant's corporate affiliates or officers have been or
393 are currently under investigation for violation of any consumer
394 protection law or regulation to which it is subject, either in this state or
395 in another state; (6) a copy of its standard service contract; [(7) an
396 attestation that it is subject to chapters 208, 212, 212a and 219, as
397 applicable, and that it shall pay all taxes it is subject to in this state; and
398 (8)] and (7) a scope of service plan which sets forth, among other
399 things, a description of the geographic area the applicant plans to
400 serve.

401 (e) The application fee shall include the costs to investigate and
402 administer the licensing procedure and shall be commensurate with
403 the level of investigation necessary, as determined by regulations
404 adopted by the Department of Public Utility Control.

405 (f) Not more than thirty days after receiving an application, the
406 Department of Public Utility Control shall notify the applicant whether
407 the application is complete or whether the applicant must submit
408 additional information. The department shall grant or deny a license
409 application [, after notice and a hearing,] not more than ninety days
410 after receiving all information required of an applicant. [Any hearing
411 shall be conducted as a contested case in accordance with chapter 54.]
412 The department shall hold a public hearing on an application upon the
413 request of any interested party.

414 (g) [The Department of Public Utility Control shall require, as] As
415 conditions of [a license,] continued licensure, a supplier shall ensure

416 that: (1) The supplier complies with the National Labor Relations Act
417 and regulations, if applicable; (2) the supplier complies with the
418 Connecticut Unfair Trade Practices Act and applicable regulations; (3)
419 each generating facility operated by or under long-term contract to the
420 supplier complies with regulations adopted by the Commissioner of
421 Environmental Protection, pursuant to section 22a-174j; (4) the supplier
422 complies with the portfolio standards, pursuant to section 16-245a, as
423 amended by this act; (5) the supplier is a member of the New England
424 Power Pool or its successor or has a contractual relationship with one
425 or more entities who are members of the regional independent system
426 operator and the supplier complies with the [system] rules of the
427 regional independent system operator and standards and any other
428 reliability guidelines of the regional independent systems operator; (6)
429 the supplier agrees to cooperate with the department and other electric
430 suppliers, as defined in section 16-1, as amended by this act, in the
431 event of an emergency condition that may jeopardize the safety and
432 reliability of electric service; (7) the supplier complies with the Code of
433 Conduct established pursuant to section 16-244h; [and] (8) for a license
434 to a participating municipal electric utility, the supplier provides open
435 and nondiscriminatory access of its distribution facilities to other
436 licensed electric suppliers; (9) the person or the entity or entities with
437 whom the supplier has a contractual relationship to purchase power is
438 in compliance with all applicable licensing requirements of the Federal
439 Energy Regulatory Commission; (10) each generating facility operated
440 by or under long-term contract to the supplier complies with chapter
441 277a and state environmental laws and regulations; and (11) the
442 supplier acknowledges that it is subject to chapters 208, 212, 212a and
443 219, as applicable, and the supplier pays all taxes it is subject to in this
444 state. Also as a condition of a license, the department shall prohibit
445 each supplier from declining to provide service to customers for the
446 reason that the customers are located in economically distressed areas.
447 The department may establish additional reasonable conditions to
448 assure that all retail customers will continue to have access to electric
449 generation services.

450 (h) The department shall maintain regular communications with the

451 regional independent system operator to effectuate the provisions of
452 this section and to ensure that an adequate, safe and reliable supply of
453 electricity is available.

454 (i) Each licensee shall, at such times as the department requires but
455 not less than annually, submit to the Department of Public Utility
456 Control, on a form prescribed by the department, an update of
457 information the department deems relevant. Each licensee shall notify
458 the department at least ten days before: (1) A change in corporate
459 structure that affects the licensee; (2) a change in the scope of service,
460 as provided in the supplier's scope of service plan submitted to the
461 department as part of the application process; and (3) any other change
462 the department deems relevant.

463 (j) No license may be transferred without the prior approval of the
464 department. The department may assess additional licensing fees to
465 pay the administrative costs of reviewing a request for such transfer.

466 [(k) An electric aggregator shall not be subject to the provisions of
467 subdivisions (2) to (6), inclusive, of subsection (c) of this section and
468 subdivisions (4) and (5) of subsection (g) of this section.]

469 [(l)] (k) Any person who fails to comply with a license condition or
470 who violates any provision of this section shall be subject to [sanctions]
471 civil penalties by the Department of Public Utility Control in
472 accordance with section 16-41, [which may include, but are not limited
473 to,] or the suspension or revocation of such license or a prohibition on
474 accepting new customers by the Department of Public Utility Control
475 following a hearing that is conducted as a contested case in accordance
476 with chapter 54. In addition to or instead of such penalties, suspension
477 or revocation, the Department of Public Utility Control may order any
478 person who fails to comply with the portfolio standards in accordance
479 with subsection (g) of this section to make a payment to the
480 department to be allocated to the Renewable Energy Investment Fund
481 and to other uses the department determines to be in the best interest
482 of rate payers, including, but not limited to, the Energy Conservation
483 and Load Management Fund or the payment of stranded costs. The

484 department shall annually set a range of the amount of such payment
485 on a cent per kilowatt hour basis following a hearing that is conducted
486 as a contested case in accordance with chapter 54.

487 (l) (1) An electric aggregator shall not be subject to subsections (a) to
488 (k), inclusive, of this section.

489 (2) No electric aggregator shall negotiate a contract for the purchase
490 of electric generation services from an electric supplier unless such
491 aggregator has obtained a certificate of registration from the
492 Department of Public Utility Control in accordance with this
493 subsection.

494 (3) An application for a certificate of registration shall be filed with
495 the department, accompanied by a fee as determined by the
496 department. The application shall contain such information as the
497 department may deem relevant, including, but not limited to, the
498 following: (A) The address of the applicant's headquarters and the
499 articles of incorporation, if applicable, as filed with the state in which
500 the applicant is incorporated; (B) the address of the applicant's
501 principal office in the state, if any, or the address of the applicant's
502 agent for service in the state; (C) the toll-free or in-state telephone
503 number of the applicant; (D) information about the applicant's
504 corporate structure, if applicable, including financial names and
505 financial statements, as appropriate, concerning corporate affiliates; (E)
506 disclosure of whether the applicant or any of the applicant's corporate
507 affiliates or officers, if applicable, have been or are currently under
508 investigation for violation of any consumer protection law or
509 regulation to which it is subject, either in this state or in another state.

510 (4) Not more than thirty days after receiving an application for a
511 certificate of registration, the department shall notify the applicant
512 whether the application is complete or whether the applicant must
513 submit additional information. The department shall grant or deny the
514 application for a certificate of registration not more than ninety days
515 after receiving all information required of an applicant. The
516 department shall hold a public hearing on an application upon the

517 request of any interested party.

518 (5) As a condition for maintaining a certificate of registration, the
519 electric aggregator shall ensure that, where applicable, it complies with
520 the National Labor Relations Act and regulations, if applicable, and it
521 complies with the Connecticut Unfair Trade Practices Act and
522 applicable regulations.

523 (6) Each registered electric aggregator shall update the information
524 contained in subdivision (3) of this subsection as necessary.

525 Sec. 7. Section 16-245a of the general statutes is repealed and the
526 following is substituted in lieu thereof (*Effective October 1, 2002*):

527 (a) [To be licensed under section 16-245, an applicant for a license]
528 An electric supplier and an electric distribution company providing,
529 pursuant to section 16-244c, as amended by this act, default service or
530 back-up generation service shall demonstrate to the satisfaction of the
531 Department of Public Utility Control that not less than one-half of one
532 per cent of its total electricity output or services shall be generated
533 from Class I renewable energy sources and an additional five and one-
534 half per cent of the total output or services shall be from Class I or
535 Class II renewable energy sources. On and after July 1, [2001] 2005, not
536 less than three-fourths of one per cent of the total output or services of
537 any such supplier or distribution company shall be generated from
538 Class I renewable energy sources and an additional [five and one-half]
539 six per cent of [the total] such output or services shall be from Class I
540 or Class II renewable energy sources. On and after July 1, [2002] 2006,
541 not less than one per cent of such output or services shall be generated
542 from Class I renewable energy sources and an additional [five and
543 one-half] six per cent of [the total] such output or services shall be from
544 Class I or Class II renewable energy sources. On and after July 1, [2003]
545 2007, not less than one and one-half per cent of such output or services
546 shall be generated from Class I renewable energy sources and an
547 additional [five and one-half] six per cent of [the total] such output or
548 services shall be from Class I or Class II renewable energy sources. On
549 and after July 1, [2004] 2008, not less than two per cent of [the total

550 output of any such supplier] such output or services shall be generated
551 from Class I renewable energy sources and an additional six per cent
552 of [the total] such output or services shall be from Class I or Class II
553 renewable energy sources. On and after July 1, [2005] 2009, not less
554 than two and one-half per cent of [the total output of any such
555 supplier] such output or services shall be generated from Class I
556 renewable energy sources and an additional [six] seven per cent of [the
557 total] such output or services shall be from Class I or Class II
558 renewable energy sources. On and after July 1, [2006] 2010, not less
559 than three per cent of [the total output of any such supplier] such
560 output or services shall be generated from Class I renewable energy
561 sources and an additional [six] seven per cent of [the total] such output
562 or services shall be from Class I or Class II renewable energy sources.
563 On and after July 1, [2007] 2011, not less than four per cent of [the total
564 output of any such supplier] such output or services shall be generated
565 from Class I renewable energy sources and an additional [six] seven
566 per cent of [the total] such output or services shall be from Class I or
567 Class II renewable energy sources. On and after July 1, [2008] 2012, not
568 less than five per cent of [the total output of any such supplier] such
569 output or services shall be generated from Class I renewable energy
570 sources and an additional [six] seven per cent of [the total] such output
571 or services shall be from Class I or Class II renewable energy sources.
572 On and after July 1, [2009] 2013, not less than six per cent of [the total
573 output of any such supplier] such output or services shall be generated
574 from Class I renewable energy sources and an additional seven per
575 cent of [the total] such output or services shall be from Class I or Class
576 II renewable energy sources. An electric supplier or electric
577 distribution company providing, pursuant to section 16-244c, as
578 amended by this act, default service or back-up generation service may
579 satisfy the requirements of this subsection by purchasing Class I or
580 Class II renewable energy sources within the jurisdiction of the
581 regional independent system operator, the New York Independent
582 System Operator, or its successor organization as approved by the
583 Federal Energy Regulatory Commission, or the PJM Interconnection,
584 LLC, or its successor organization as approved by the Federal Energy

585 Regulatory Commission or the Canadian Provinces of Quebec, New
586 Brunswick, Newfoundland and Labrador, Nova Scotia or Prince
587 Edward Island or by participating in a renewable energy trading
588 program within said jurisdictions as approved by the [state]
589 Department of Public Utility Control. Any supplier who provides
590 electric generation services solely from a Class II renewable energy
591 source shall not be required to comply with the provisions of this
592 section.

593 (b) An [applicant's demonstration] electric supplier or an electric
594 distribution company providing, pursuant to section 16-244c, as
595 amended by this act, default service or back-up generation service
596 shall base its demonstration of generation sources, as required under
597 subsection (a) of this section [, shall be based] on historical data, which
598 may consist of data filed with the regional independent system
599 operator.

600 (c) A supplier or an electric distribution company providing,
601 pursuant to section 16-244c, as amended by this act, default or back-up
602 generation service may make up the deficiency within its generation
603 service portfolio within the first three months of a calendar year
604 accordingly to meet the generation source requirements of subsection
605 (a) of this section for the previous year.

606 [(c)] (d) The department [may] shall adopt regulations pursuant to
607 chapter 54 to implement the provisions of this section.

608 Sec. 8. Subsection (a) of section 16-245l of the general statutes is
609 repealed and the following is substituted in lieu thereof (*Effective*
610 *October 1, 2002*):

611 (a) The Department of Public Utility Control shall establish and each
612 electric distribution company shall collect a systems benefits charge to
613 be imposed against all end use customers of each electric distribution
614 company beginning January 1, 2000. The department shall hold a
615 hearing that shall be conducted as a contested case in accordance with
616 chapter 54 to establish the amount of the systems benefits charge. The

617 department may revise the systems benefits charge or any element of
618 said charge as the need arises. The systems benefits charge shall be
619 used to fund (1) the expenses of the public education outreach
620 program developed under subsection (a) of section 16-244d other than
621 expenses for department staff, (2) the reasonable and proper expenses
622 of the education outreach consultant pursuant to subsection (d) of
623 section 16-244d, (3) the cost of hardship protection measures under
624 sections 16-262c and 16-262d and other hardship protections, including
625 but not limited to, electric service bill payment programs, funding and
626 technical support for energy assistance, fuel bank and weatherization
627 programs and weatherization services, (4) the payment program to
628 offset tax losses described in section 12-94d, as amended, (5) any sums
629 paid to a resource recovery authority pursuant to subsection (b) of
630 section 16-243e, (6) low income conservation programs approved by
631 the Department of Public Utility Control, (7) displaced worker
632 protection costs, (8) unfunded storage and disposal costs for spent
633 nuclear fuel generated before January 1, 2000, approved by the
634 appropriate regulatory agencies, (9) postretirement safe shutdown and
635 site protection costs that are incurred in preparation for
636 decommissioning, (10) decommissioning fund contributions, and (11)
637 legal, appraisal and purchase costs of a conservation or land use
638 restriction and other related costs as the department in its discretion
639 deems appropriate, incurred by a municipality on or before January 1,
640 2000, to ensure the environmental, recreational and scenic preservation
641 of any reservoir located within this state created by a pump storage
642 hydroelectric generating facility. As used in this subsection, "displaced
643 worker protection costs" means the reasonable costs incurred, prior to
644 January 1, 2006, by an electric company or a generation entity or
645 affiliate arising from the dislocation of any employee other than an
646 officer, provided such dislocation is a result of restructuring of the
647 electric generation market and such dislocation occurs on or after July
648 1, 1998; and provided further such costs result from either the
649 execution of agreements reached through collective bargaining for
650 union employees or from the company's or entity's or affiliate's
651 programs and policies for nonunion employees. "Displaced worker

652 protection costs" includes costs incurred or projected for severance,
653 retraining, early retirement, outplacement, coverage for surviving
654 spouse insurance benefits and related expenses. "Displaced worker
655 protection costs" does not include those costs included in determining
656 a tax credit pursuant to section 12-217bb.

657 Sec. 9. Subsection (d) of section 16-245m of the general statutes is
658 repealed and the following is substituted in lieu thereof (*Effective*
659 *October 1, 2002*):

660 (d) (1) The Energy Conservation Management Board shall advise
661 and assist the electric distribution companies in the development and
662 implementation of a comprehensive plan, which plan shall be
663 approved by the Department of Public Utility Control, to implement
664 cost-effective energy conservation programs and market
665 transformation initiatives. Each program contained in the plan shall be
666 either accepted or rejected by the electric distribution company and the
667 Energy Conservation Management Board prior to submission to the
668 department for approval.

669 (2) Programs included in the plan shall be screened through cost-
670 effectiveness testing which compares the value and payback period of
671 program benefits to program costs to ensure that programs are
672 designed to obtain energy savings whose value is greater than the
673 costs of the programs. Program cost-effectiveness shall be reviewed
674 annually, or otherwise as is practicable. If a program is determined to
675 fail the cost-effectiveness test as part of the review process, it shall
676 either be modified to meet the test or shall be terminated. On or before
677 January 31, 2001, and annually thereafter until January 31, 2006, the
678 board shall provide a report to the joint standing committees of the
679 General Assembly having cognizance of matters relating to energy and
680 the environment which documents expenditures, fund balances and
681 evaluates the cost-effectiveness of such programs conducted in the
682 preceding year.

683 (3) [Such programs] Programs included in the plan may include, but
684 not be limited to: [(1)] (A) Conservation and load management

685 programs; [(2)] (B) research, development and commercialization of
686 products or processes which are more energy-efficient than those
687 generally available; [(3)] (C) development of markets for such products
688 and processes; [(4)] (D) support for energy use assessment, engineering
689 studies and services related to new construction or major building
690 renovation; [(5)] (E) the design, manufacture, commercialization and
691 purchase of energy-efficient appliances and heating, air conditioning
692 and lighting devices; [(6)] (F) program planning and evaluation; and
693 [(7)] (G) public education regarding conservation. Such support may
694 be by direct funding, manufacturers' rebates, sale price and loan
695 subsidies, leases and promotional and educational activities. Any other
696 expenditure by the collaborative shall be limited to retention of expert
697 consultants and reasonable administrative costs provided such
698 consultants shall not be employed by, or have any contractual
699 relationship with, an electric distribution company. Such costs shall
700 not exceed five per cent of the total revenue collected from the
701 assessment.

702 Sec. 10. Subsection (a) of section 16-245o of the general statutes is
703 repealed and the following is substituted in lieu thereof (*Effective July*
704 *1, 2002*):

705 (a) To protect a customer's right to privacy from unwanted
706 solicitation, each electric company or electric distribution company, as
707 defined in section 16-1, as amended by this act, as the case may be,
708 shall distribute to each customer a form approved by the Department
709 of Public Utility Control which the customer shall submit to [his] the
710 customer's electric or electric distribution company in a timely manner
711 if [he] the customer does not want [his] the customer's name, address,
712 telephone number and rate class to be released to electric suppliers, as
713 defined in said section 16-1. On and after July 1, 1999, each electric or
714 electric distribution company, as the case may be, shall make available
715 to all electric suppliers customer names, addresses, telephone
716 numbers, if known, and rate class, unless the electric company or
717 electric distribution company has received a form from a customer
718 requesting that such information not be released. Additional

719 information about a customer for marketing purposes shall not be
720 released to any electric supplier unless a customer [signs a release
721 which shall be made available by the department] consents to a release
722 pursuant to the procedures set forth in subsection (a) of section 16-
723 245s.

724 Sec. 11. Subsection (e) of section 16-245o of the general statutes is
725 repealed and the following is substituted in lieu thereof (*Effective July*
726 *1, 2002*):

727 (e) Each electric supplier shall, prior to the initiation of electric
728 generation services, provide the potential customer with a written
729 notice describing the rates, information on air emissions and resource
730 mix of generation facilities operated by and under long-term contract
731 to the supplier, terms and conditions of the service, and a notice
732 describing the customer's right to cancel the service, as provided in this
733 section. No electric supplier shall provide electric generation services
734 unless the customer has signed a service contract or consents to such
735 services pursuant to the procedures set forth in subsection (a) of
736 section 16-245s. A customer shall, until midnight of the third business
737 day after the day on which the customer enters into a service
738 agreement, have the right to cancel a contract for electric generation
739 services entered into with an electric supplier.

740 Sec. 12. Section 16-245p of the general statutes is repealed and the
741 following is substituted in lieu thereof (*Effective January 1, 2004*):

742 (a) [Upon being issued a license pursuant to section 16-245, an] An
743 electric supplier and an electric distribution company providing,
744 pursuant to section 16-244c, as amended by this act, default service or
745 back-up generation service shall submit information to the Department
746 of Public Utility Control that the department, after consultation with
747 the Consumer Education Advisory Council, established under section
748 16-244d, determines will assist customers in making informed
749 decisions when choosing an electric supplier, including, but not
750 limited to, the information provided in subsection (b) of this section.
751 Each supplier or electric distribution company providing, pursuant to

752 section 16-244c, as amended by this act, default service or back-up
753 generation service shall submit, on a form prescribed by the
754 department, quarterly reports containing information on rates and any
755 other information the department deems relevant, including, but not
756 limited to, any change in the information as required by the
757 department. After the department has received the information
758 required pursuant to this subsection, the supplier shall be eligible to
759 receive customer marketing information from electric or electric
760 distribution companies, as provided in section 16-245o, as amended by
761 this act.

762 (b) The Department of Public Utility Control shall maintain and
763 make available to customers upon request, a list of electric aggregators
764 and the following information about each electric supplier, as defined
765 in section 16-1, as amended by this act, and each electric distribution
766 company providing, pursuant to section 16-244c, as amended by this
767 act, default service or back-up generation service: (1) Rates and
768 charges; [provided by an electric supplier;] (2) applicable terms and
769 conditions of a contract for electric generation services; [provided by
770 an electric supplier;] (3) the percentage of [each supplier's] the total
771 electric output derived from each of the categories of energy sources
772 provided in subsection (e) of section 16-244d, the total emission rates
773 [at which each facility operated by or under long-term contract to the
774 electric supplier emits] of nitrogen oxides, sulfur oxides, carbon
775 dioxide, carbon monoxide, particulates, heavy metals and other wastes
776 the disposal of which is regulated under state or federal law at the
777 facilities operated by or under long-term contract to the electric
778 supplier or providing generation services to an electric distribution
779 company providing, pursuant to section 16-244c, as amended by this
780 act, default service or back-up generation service, and the analysis of
781 the environmental characteristics of each such category of energy
782 source prepared pursuant to subsection (e) of said section 16-244d and
783 to the extent such information is unknown, the estimated percentage of
784 the [electric supplier's] total electric output for which such information
785 is unknown, along with the word "unknown" for that percentage; (4) a
786 record of customer complaints and the disposition of each complaint;

787 and (5) any other information the department determines will assist
 788 customers in making informed decisions when choosing an electric
 789 supplier. The department shall update the information at least
 790 quarterly. The department shall put such information in a standard
 791 format so that a customer can readily understand and compare the
 792 services provided by each electric supplier.

793 Sec. 13. Section 16-245s of the general statutes is amended by adding
 794 subsection (d) as follows (*Effective July 1, 2002*):

795 (NEW) (d) The Department of Public Utility Control may adopt
 796 regulations, in accordance with chapter 54, to address abusive
 797 switching practices by customers or suppliers.

798 Sec. 14. (*Effective July 1, 2002*) The Department of Public Utility
 799 Control shall open a docket to examine and investigate, on its own
 800 motion, the standardization of interconnection protocols for
 801 engineering methods and rates.

802 Sec. 15. (*Effective July 1, 2002*) The Department of Public Utility
 803 Control shall, within available resources, conduct a study that
 804 examines different means to encourage end users of electricity to
 805 conserve electricity, including, but not limited to, the use of enhanced
 806 time-of-day metering or seasonal rates. Not later than January 1, 2003,
 807 the department shall submit a report on its findings and
 808 recommendations to the joint standing committee of the General
 809 Assembly having cognizance of matters relating to energy, in
 810 accordance with the provisions of section 11-4a of the general statutes.

This act shall take effect as follows:	
Section 1	<i>July 1, 2002</i>
Sec. 2	<i>July 1, 2002</i>
Sec. 3	<i>July 1, 2002</i>
Sec. 4	<i>July 1, 2002</i>
Sec. 5	<i>July 1, 2002</i>
Sec. 6	<i>October 1, 2002</i>
Sec. 7	<i>October 1, 2002</i>

Sec. 8	<i>October 1, 2002</i>
Sec. 9	<i>October 1, 2002</i>
Sec. 10	<i>July 1, 2002</i>
Sec. 11	<i>July 1, 2002</i>
Sec. 12	<i>January 1, 2004</i>
Sec. 13	<i>July 1, 2002</i>
Sec. 14	<i>July 1, 2002</i>
Sec. 15	<i>July 1, 2002</i>

<i>ET</i>	<i>Joint Favorable Subst. C/R</i>	JUD
<i>JUD</i>	<i>Joint Favorable</i>	

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	Current FY \$	FY 03 \$	FY 04 \$
GF & Renewable Energy Investment Fund - Revenue Gain	Public Utility Control, Dept.; CT Innovations Inc. (quasi-public)	-	Potential	Potential
CC&PUCF - Cost	Public Utility Control, Dept.	-	Minimal	Minimal

Note: CC&PUCF=Consumer Counsel and Public Utility Control Fund

Municipal Impact: None

Explanation

The bill requires the Department of Public Utility Control (DPUC) to determine a default price for hardship customers, residential customers that the DPUC thinks are vulnerable and small customers that have not chosen a supplier and to then hold contested case hearings to determine procurement fees that are part of the price. The DPUC can determine these prices without incurring a fiscal impact. Contested case hearings could result in a cost to the DPUC. The cost of these hearings could be more than \$500 per hearing depending on the length of the hearing. This cost consists primarily of the services of a court reporter. The procurement fees will go into a nonlapsing account within the DPUC.

The bill requires the DPUC in consultation with the Office of Consumer Counsel (OCC) to biennially conduct a study of default services within available resources. The DPUC can complete this study within their budgetary resources. There is no fiscal impact for the OCC.

The bill also requires the DPUC to adopt regulations regarding renewable portfolio standards. They can do this without incurring a fiscal impact

The bill also requires the DPUC to develop a plan by October 1, 2002 to restart its electric restructuring education plan by October 1, 2003. They can develop the plan utilizing existing DPUC staff resources.

The bill requires that utilities that provide default and backup services and do not comply with renewable portfolio standards be subject to civil penalties of up to \$10,000. The amount of civil penalties to be assessed cannot be determined at this time. In lieu of civil penalties, these companies can make payments to the DPUC that will go into the Renewable Energy Investment Fund.

Any increase in the Renewable Energy Investment Fund, administered by the Connecticut Innovations Inc. attributable to potential payments required in the bill for failure to comply with portfolio standards, would depend upon the range of payment set by the DPUC. This is unknown at this time. The fund balance as of March 2002 was \$4 million including commitments. Revenue in FY01 was approximately \$15 million and revenue is anticipated to be \$22 million in FY 03.

The bill requires 12 aggregators to register with the DPUC instead of being licensed. The DPUC must set a fee for registration. There could a revenue gain depending on the amount of the fee.

OLR Bill Analysis

sHB 5428

AN ACT CONCERNING ELECTRIC RESTRUCTURING**SUMMARY:**

This bill revises the electric restructuring law, particularly those provisions requiring electric utilities to provide default service to consumers who do not choose a competitive supplier. The bill establishes separate pricing rules for default service provided to (1) low-income and other residential customers who are protected from their service being terminated during the heating season, (2) other small residential and nonresidential customers, and (3) large customers. It requires the utilities to procure power for the first two categories of customers in a way that mitigates rapid changes in electricity prices.

The law requires electric suppliers to obtain part of their power from renewable resources. This provision is known as the renewable portfolio standard (RPS). The bill (1) reduces, as of October 1, 2002, the amount of renewable power suppliers must obtain from certain sources, (2) delays certain future increases in the RPS implementation schedule, (3) extends the amended RPS to apply to electric utilities default and back-up service (the latter serves consumers whose suppliers fail them), and (4) broadens what counts as renewable energy and where it can come from.

The bill eliminates certain supplier licensing requirements and makes others a requirement for maintaining, rather than obtaining, a license. It requires aggregators to be registered rather than licensed.

The bill requires utilities to provide the Department of Utility Control (DPUC) with information regarding the economic and environmental characteristics of the power they obtain to provide default and backup service. It provides for several other consumer information and education programs, including one to provide consumers information regarding suppliers and a restart of DPUC's education program. It requires DPUC to establish a program to provide credits to residential customers who choose a supplier.

It provides for assistance to surviving spouses of dislocated utility workers, approval of utility conservation plans, ways consumers can authorize a utility to release information about them to a supplier, and DPUC studies and regulations.

EFFECTIVE DATE: July 1, 2002, except October 1, 2002 for the supplier licensing and aggregator registration provisions, changes to the RPS implementation schedule, and approval of utility conservation plans; and January 1, 2004 utilities to provide information regarding the economic and environmental characteristics of their power.

DEFAULT SERVICE (SEC. 4,5)

By law, utilities must provide standard offer service to consumers who (1) choose this option or (2) do not choose or are unable to maintain service from a supplier. The requirement expires December 31, 2003. Thereafter, under current law, the utilities must provide default service to customers who do not choose or are unable to maintain service from a supplier. The bills splits default service into three components: (1) low income and other hardship customers, and other residential customers that DPUC determines are vulnerable; (2) remaining residential and small business customers, and (3) large business customers.

Procurement Requirements (Sec. 4b)

Under current law, utilities must obtain power for default service through a competitive bidding process. A generator affiliated with the utility can provide this power if it is the lowest qualified bidder and is licensed by DPUC as a supplier. DPUC must adopt regulations on how utilities obtain this power.

The bill eliminates these requirements. Instead, it requires utilities to procure power for residential and small business default customers under a DPUC-approved plan designed to reduce price volatility. By April 1, 2003, each utility must submit its plan to DPUC. The plan must require that the procured power contracts overlap over time. (For example, a utility could initially procure power in the wholesale market under one-, two-, and three-year contracts. As each contract expires, it could be replaced with a three-year contract so that one third of the utility's portfolio of contracts expire each year.) The

contracts must be for a fixed period of time. The portfolio must be designed to maximize the likelihood, in DPUC's determination, that it will produce just, reasonable, and reasonably stable rates while reflecting underlying market prices over time. A portfolio of contracts provided under this plan must run for at least six months. However, DPUC can approve shorter contracts if it determines this is necessary to ensure reliable service under extraordinary circumstances or to prudently manage the portfolio.

Pricing Requirements—Hardship and Vulnerable Customers (Sec. 4(b)(1))

By law, certain low-income customers and other residential customers who meet statutory criteria are protected from having their utility service terminated during the heating season. These people are commonly called hardship customers (see BACKGROUND).

The bill requires the utilities to provide default service for hardship customers and other residential customers that DPUC determines to be vulnerable. (The bill appears to require the utilities to provide this service to such customers even if they have chosen a supplier.) The utilities' procurement of the power is subject to the requirements described above.

By October 1, 2003, DPUC must set a price for this service if it determines that this is in these customers' best interest. (If DPUC determines that setting the price is not in the customer's interest, it appears the price would be unregulated since the utilities must provide the service in any case.) The price must be set at the market cost of the power the utility has bought, plus the utility's administrative costs. DPUC must periodically reset the price, but no more frequently than once each quarter.

Pricing Requirements—Other Small Customers (Secs. 4(b)2, 5(h))

Utilities must also provide default service to other small customers who have not chosen a supplier. The small customers include any residential or nonresidential customer who (1) does not use a demand meter or (2) has a maximum demand of less than 350 kilowatts.

By October 1, 2003, DPUC must set the price for this service, which must consist of the market cost of the power (which is subject to the

procurement requirements described above), the utility's administrative costs, and a procurement fee. DPUC must hold a contested case hearing by July 1, 2003 to establish the procurement fee, which can be no more 0.8 cents per kilowatt-hour. DPUC must adjust the price for this service periodically, but not more often than once per quarter.

The procurement fee must go into a special non-lapsing account in the Consumer Counsel and Public Utility Control Fund. Investment earnings on this money also go into the account. The account must be used, with DPUC approval, to (1) reduce the utilities' stranded costs and (2) fund a program, described below, to encourage residential customers to choose suppliers.

DPUC must hold a contested case with a hearing on the allocation of this money. At least half of the money in FY 2003-04 and at least two-thirds in FY 2004-05 must be allocated to reduce stranded costs.

Pricing Requirements-Large Customers (Sec. 4(b)5)

Utilities must serve customers who are ineligible for the two previous types of service as a supplier of last resort. They must provide power to such customers at a DPUC-approved rate that is consistent with spot market prices as determined by the entity that administers the New England wholesale market.

Study (Sec. 4(b)6)

DPUC and the Office of Consumer Counsel must biennially conduct a study on default service, within available resource. The study must analyze at least: (1) the population of residential customers remaining on default service, (2) the effectiveness of the procurement fee in encouraging them to contract with suppliers, (3) the pricing of each type of default service, and (4) other issues the agencies determine appropriate. By January 1, 2005, and every two years thereafter, DPUC must report the study's findings and recommendations to the Energy and Technology Committee.

RENEWABLE ENERGY

Subjecting Utilities to the RPS (Sec. 4(g))

The law requires suppliers to obtain part of their power from

renewable energy sources. Suppliers must obtain part of this power from class I resources, such as wind power and fuel cells. They can obtain additional power from these sources or class II sources, which include such things as hydropower and trash-to-energy plants. The bill extends the RPS to include utilities provision of default and back-up service.

Implementation Schedule (Sec. 7(a))

As displayed in Table 1, the bill (1) reduces, as of October 1, 2002, the amount of class I power suppliers must obtain for their service from 1.0% to 0.5% and (2) delays when future increases to the RPS requirement go into effect. The bill subjects utilities to the revised RPS schedule as of October 1, 2002 for backup service and as of January 1, 2004 for default service.

Table 1: Changes in Renewable Portfolio Standard

<i>Date</i>	<i>Current Class I/II Standard (percent)</i>	<i>Current percent that must be Class I</i>	<i>Bill's Class I/II Standard (percent)</i>	<i>Bill's percent that must be Class I</i>
7/1/01	6.25	0.75	6.25	0.75
7/1/02	6.5	1	6.5	1
10/1/02	6.5	1	6.0	0.5
7/1/03	7	1.5	6.0	0.5
7/1/04	8	2	6.0	0.5
7/1/05	8.5	2.5	6.25	0.75
7/1/06	9	3	7.0	1
7/1/07	10	4	7.5	1.5
7/1/08	11	5	8.0	2
7/1/09	13	6	9.5	2.5
7/1/10	13	6	10.0	3
7/1/11	13	6	11.0	4
7/1/12	13	6	12.0	5
7/1/13	13	6	13.0	6

The bill allows utilities and suppliers to make up a deficiency in their compliance with the RPS in the previous calendar year in the first quarter of the following year.

Definition of Class I Renewables (Sec. 1,2)

The bill expands the definition of class I renewables to include ocean thermal power, wave or tidal power, low emission advanced renewable energy conversion technologies, and low emission distributed generation. The latter generate electricity on a customer's premises using technologies such as fuel cells, microturbines, photovoltaic systems, and small wind turbines.

Under current law, biomass facilities that began operating on or after July 1, 1998 count as a class I resource. The bill expands this provision to include that part of an older facility's electricity production that exceeds its average production from 1995 to 1997.

Where Renewables Can Come From (Sec. 7(a))

The bill specifies that a utility or supplier can meet its RPS requirements by buying renewable energy sources (presumably power from such sources) from New England, New York, or the Mid-Atlantic states served by the PJM Interconnection LLC, or the provinces of Quebec, New Brunswick, Newfoundland and Labrador, or Prince Edward Island.

By law, suppliers can meet their RPS requirements by participating in a DPUC-approved trading program. The bill extends this provision to utilities and specifies that the trading program must operate within the above jurisdictions.

The bill requires, rather than allows, DPUC to adopt regulations regarding the RPS. It allows DPUC to adopt regulations to address abusive switching practices by customers or suppliers.

Penalties for Non-compliance with the RPS (Sec. 4(g))

By law, compliance with the RPS is a condition of a supplier's licensure. If a supplier fails to comply, DPUC can impose a civil penalty of up to \$10,000 per offense, with each day's violation a separate offense. DPUC can also suspend or revoke a supplier's license or bar it from accepting new customers. The bill explicitly

requires that DPUC treat the latter sanctions as a contested case and hold a hearing.

As noted above, the bill applies the RPS to utilities in their provision of default and backup service. It subjects a utility that does not comply with the standard to the civil penalty for suppliers. Alternatively, it allows DPUC to require a utility or supplier to make a payment to DPUC. (In the case of a supplier, this penalty can be in addition to the civil penalty and license sanctions.) The payment goes to the Renewable Energy Investment Fund or for other uses DPUC determines are in the ratepayers' best interest. These include payments into the Energy Conservation and Load Management Fund or to reduce the utilities' stranded costs (these are costs that were approved by DPUC before deregulation and whose continued recovery was jeopardized with the start of competition). DPUC must set the payment amount annually, on a cent per kilowatt-hour basis. It must do so in a contested case following a hearing.

Net Metering (Sec. 3)

By law, suppliers must provide a credit to their residential customers who generate electricity from a class I renewable resource or hydropower. In effect, the law requires the suppliers to run a customer's electric meter backwards for the power he produces using these resources. The bill extends this requirement to utilities in their provision of standard offer, backup, or default service.

Under current law, such customers must pay two charges on the power they consume, without deducting any electricity they produce. These charges are used to pay for public policy costs and the utility's stranded costs. The bill exempts from this provision to customers who generate electricity from a unit that has a capacity of up to 10 kilowatts (the amount of power used by 100 100-watt light bulbs).

SUPPLIER LICENSURE

Scope of Licensure (Sec. 4(d))

By law, suppliers must obtain a license from DPUC. Under current law, it appears that utilities must be licensed to provide back-up service on or after January 1, 2004 or default service. The bill explicitly exempts utilities from such requirements and as described below, the

bill requires aggregators to register with DPUC, rather than obtaining a license.

The bill eliminates a requirement that a supplier, to obtain a license, demonstrate to DPUC that (1) it has the capacity, as specified by the entity that administers the New England wholesale market, the independent system operator (ISO), to adequately serve all of its customers (2) its generation facilities in North America comply with Department of Environmental Protection (DEP) regulations; and (3) its Connecticut generation facilities comply with Connecticut Siting Council law as well as state environmental laws and regulations.

Applying for a License (Sec. 6(d)(f))

Under current law, a license applicant must disclose to DPUC whether it is currently under investigation for violation of a consumer protection law in Connecticut or another state. The bill extends this requirement to (1) the applicant's corporate affiliates and officers and (2) previous investigations.

Under current law, DPUC must provide notice of the application and conduct its review as a contested case. Among other things, this means that the Office of Consumer Counsel can participate as a party in the case. The bill instead only requires DPUC to hold a hearing on the application at the request of an interested party and does not require that it be a contested case.

Conditions of Licensure (Sec. 6(c) (g))

The bill requires suppliers to meet certain requirements in order to maintain, rather than obtain, a license. These are:

1. meeting all applicable licensure requirement of the Federal Energy Regulatory Commission (this requirement also applies to all of the entities from which the supplier buys power from by contract),
2. acknowledging that it is subject to various state taxes and will pay all of these taxes, and
3. meeting the RPS standard.

Under current law, to obtain a license an applicant must demonstrate to DPUC that it is registered with or certified by the ISO, or that it has contracts with entities that are registered or certified. The bill instead requires that the supplier, as a condition of maintaining its license, to

be a member of the New England Power Pool, or its successor, and has contracts with one or more entities that are members

Similarly, each generating facility operated by the supplier or under long-term contract to it must meet state environmental laws (including those dealing with the Connecticut Siting Council) in order for the supplier to maintain, rather than obtain, its license.

AGGREGATOR REGISTRATION (SEC. 6(K)(L))

By law, aggregators are entities that group customers together to negotiate their purchase of electricity from a supplier. The aggregator acts as a middleman and may not buy or resell the electricity. Customers must contract directly with the supplier.

The bill requires aggregators to register with DPUC rather than obtain a supplier's license. It reduces the amount of information aggregators must provide to DPUC when they apply and exempts them from certain requirements in order to remain in operation.

Application Process. Under the bill, an aggregator no longer must include the following in its application to DPUC: (1) a copy of its standard service contract, (2) an attestation that it is subject to various taxes, as applicable, and that it will pay them, and (3) a scope of service plan that describes where it plans to operate, among other things. Under current law, a license application must include the address of its office in the state and information about its corporate structure. Under the bill, the registration must provide this information as applicable. (In effect, this eliminates the need for an aggregator to have an office in the state.) Under current law, the supplier's application must include its toll-free number. Under the bill, an aggregator can list an in-state number instead. The bill requires DPUC to set the fee for a registration; it already must do so for licensure.

The bill requires DPUC to notify the applicant within 30 days of receiving the application whether it is complete. DPUC must grant or deny the application within 90 days of receiving all of the required information. It must hold a hearing on the application at the request of any interested party.

Maintaining a Registration. The bill eliminates a requirement that an aggregator demonstrate to DPUC that it has the technical, managerial,

and financial capability to provide generation services. It also eliminates the requirement that the aggregator maintain a bond or other form of financial security with DPUC.

The bill requires an aggregator to update its application information as necessary. It eliminates requirements that it (1) annually update information that DPUC considers necessary and (2) notify DPUC at least ten days before (a) changing their corporate structure or scope of service or (b) making other changes DPUC considers relevant.

CONSUMER INFORMATION AND EDUCATION (SEC.12, 5)

By law, suppliers must provide information regarding the economic and environmental characteristics of their services to DPUC, which must maintain the information and provide it to consumers on request. The bill extends these requirements to utilities in their provision of backup and default service. The information includes the company's rates and charges; the terms and conditions of its contract; the proportion of its power that comes from nuclear, fossil fuel, and renewable resources; emissions of various pollutants from its power plants; and records of customer complaints and their disposition.

The bill requires DPUC, in consultation with the Office of Consumer Counsel, to establish a program for disseminating information about suppliers. The program must require utilities to distribute this information to (1) any new utility customer and (2) their existing customers on January 1, 2003 and every two years thereafter. DPUC must develop the information, which must include: each supplier's name, address, and internet address; the state where it is based; whether it offers service to residential, commercial, or industrial customers; and whether it exceeds the RPS standards. DPUC must include price information to the extent it determines feasible. DPUC must post the information on a conspicuous part of its own Website and provide links to the supplier's Website. DPUC must update the information at least quarterly.

DPUC must develop a plan by October 1, 2002 to restart its electric restructuring education program by October 1, 2003. It must submit the plan to the Energy and Technology Committee.

CREDITS FOR CUSTOMERS WHO CHOOSE SUPPLIERS

By January 1, 2003, DPUC must adopt regulations to establish a customer credit program for residential customers who switch from default service. The utilities must give the credit, as determined by DPUC, to customers who choose a supplier and stay with it for at least one year. However, the bill specifies that the money collected from rate payers to fund this program goes to a DPUC fund. The credit program must end on December 31, 2006. The bill does not bar a supplier from imposing an early termination fee.

MISCELLANEOUS PROVISIONS (SEC. 8, 9, 10, 15, 14, 7(C), 13)

By law, all consumers pay a systems benefit charge to cover the costs of various social policies, including assistance for utility workers who were dislocated as a result of the restructuring legislation. The bill expands the scope of costs that this charge can cover to include insurance benefits for the surviving spouse of a dislocated worker. By law, the dislocated worker costs must have been incurred by a utility or its affiliate before January 1, 2006 in order to be recoverable.

By law, utilities must develop conservation plans, which are subject to review by the Energy Conservation Management Board and approval by DPUC. The bill requires that each program contained in a plan be approved or denied by the utility and the board before it is submitted to DPUC.

The bill broadens the ways in which a consumer can authorize a utility to release information about him to a supplier. Under current law, the consumer must sign a release. The bill alternatively permits him to allow this by consenting electronically or by having an independent third party verify the authorization.

The bill requires DPUC to, within available resources, study ways to encourage end users to conserve electricity, including using enhanced time-of-day meters and seasonal rates. By January 1, 2003, DPUC must report its findings and recommendations to the Energy and Technology Committee.

The bill requires DPUC to start a proceeding to examine the standardization of interconnection protocols for engineering methods and rates. Among other things, such protocols establish technical requirements for small power generators who wish to connect to the transmission grid and the rates that utilities charge for backup power

for such generators.

BACKGROUND

Hardship Customers

By law, electric utilities cannot terminate service from November 1 through April 15 for customers:

1. receiving public assistance;
2. whose sole source of income is Social Security, Veteran's Administration, or unemployment compensation;
3. with an unemployed head of household whose family income is less than three times the federal poverty level;
4. with a seriously ill household member;
5. whose income is less than 125% of the federal poverty level; and
6. who would face hunger or deprivation of the necessities of life for himself or his dependents if he paid his electric bill.

Related Bills

sHB 5712, "An Act Concerning Renewable Energy and Energy Conservation," favorably reported by the Environment Committee, makes several changes to the RPS and conservation and renewable energy funding.

sSB 342, "An Act Concerning the Financing of Renewable Energy Projects," favorably reported by the Energy and Technology and Finance, Revenue and Bonding committees, allows (1) Connecticut Innovations, Inc. to make advance commitments backed on the renewable energy charge on electric bills and (2) the Connecticut Development Authority to issue bonds based on such commitments and lend the bond proceeds to the Renewable Energy Investment Fund.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute Change of Reference

Yea 15 Nay 0

Judiciary Committee

Joint Favorable Report
Yea 39 Nay 0